CHIPS: Nominal Ledger Posting Analysis

USER GUIDE

DOCUMENT NAME	:	Chips Nominal Ledger Posting Analysis – User Guide v.1.00.doc
DOCUMENT TYPE	:	End User Documentation
PRODUCT NAME	:	Chips
VERSION	:	1.00
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1 Revision History

Author	Date	Edition	Remarks
Mark Hesketh	15/02/2007	1.00	First draft

2 Notation Conventions

This document refers to nominal ('general') ledger accounts by descriptive names. These names are intended to reflect their functions within the ledger – but will almost certainly be different from the account numbers and descriptions used within the ledgers of individual clubs.

In addition, ledger accounts described below will often be set up in an individual club's ledgers either as a set of sub-accounts (when more detailed analysis is required) or be aggregated within a higher-level account (when detail is not required).

This document uses the following account naming convention within the text:-

{Account$_{(xx)}$}

- where 'Account' is the name of the account and 'xx' is 'cr' or 'db' to indicate the account type.

For example…

{Bank (Main)$_{(db)}$} - main bank (debit) account
{Sales$_{(cr)}$} - sales (credit) account

When describing a double-entry ledger posting or journal in the text, the following convention is used:-

{Account A$_{(xx)}$}::{Account B$_{(yy)}$}

- where Account A is **debited** and Account B is **credited**.

For example…

{Debtors$_{(db)}$}::{Sales$_{(cr)}$} - ("debit debtors, credit sales")
{Receipts$_{(db)}$}::{Debtors$_{(db)}$} - ("debit receipts, credit debtors")

When an account is mentioned that will almost always be split into sub-accounts in actual ledgers, it is indicated as follows:-

{Account[Subdivision]$_{(xx)}$}

- where 'Subdivision' describes the sub-account split.

For example…

{Debtors[Fees&Subs]$_{(db)}$} - Fees and subscriptions sub-account of the debtors accounts

3 Introduction

Please Note: This document is a first draft and will be subject to change.

M H Systems has two core products designed for the private or proprietary members' club environment. 'GCGold' is a membership and competitions management system and 'Chips' is a retail ('POS') and resource management ('Bookings') system.

From an administration and accounts perspective, GCGold provides relatively simple data that can readily be posted to the club's accounts. Periodic subscriptions and various membership fees can be posted en bloc as $\{Debtors[Fees\&Subs]_{(db)}\}::\{Sales[Fees\&Subs]_{(cr)}\}$ subsequent to invoicing. Batches of payments can then be processed as $Bank(Main)_{(db)}\}::\{Debtors[Fees\&Subs]_{(db)}\}$ upon receipt.

When employed solely in a Point of Sale ('POS') role, Chips, too, can be managed using reasonably straightforward procedures. Despite being slightly more complex than GCGold, due to features such as member card accounts, sales discounts, global tabs, till float retention and so on, clubs have developed systems and procedures to cope as required.

However, the advent of the powerful and sophisticated resource management system , brings new and less straightforward challenges when deriving end-of-period ledger postings. For example: bookings will often span two or more accounting periods and they may involve staged invoices and payments; deposits involve VAT and maturation calculations; bookings can be cancelled or have bar tabs transferred to them. All of these matters require a more complex set of transactions to be understood, analysed, summarised and approved prior to posting the period figures.

In order to address this issue and to help the busy club officer, a data analysis tool has been added to Chips that, for any desired period, analyses every aspect of its retail and resource management activity. It also includes any competition fees and levy transactions in that period. It presents the data for posting in a manner that will reduce the task from a complex exercise in multiple report generation and collation down to a simple monitoring and control procedure.

It is important to note that, at present, it is *not* the intention to create an automated ledger posting system but to let the Chips posting analysis do the 'heavy-lifting' needed to produce a comprehensive, accurate and consistent periodic summary of all transactions for which Chips is responsible.

This document explains the mechanisms and accounting principles behind the analysis and discusses several issues that clubs need to bear in mind when using it.

4 Setting-up the system

Prior to running a posting analysis, the club's nominal account structure needs to be set up in Chips. The following sub-sections give an overview of the set-up process.

1) Create the nominal code list

Firstly, a list of relevant nominal codes and their descriptions need to be entered into the system. Assuming the operator has the correct permissions, access to the nominal ledger code list is via the 'Accounts>Nominal Codes' menu option on the Chips navigator bar.

Each account must have an unique identifier as defined in the accounts system (usually a number). It also provides for a textual description and must have assigned to it one of the built-in account types defined within Chips.

The available account types are:-

{Receipts$_{(db)}$}	- receipts (in any form) as yet un-banked or retained as float
{Bank (Main)$_{(db)}$}	- main bank account
{Bank (EFT)$_{(db)}$}	- banked EFT receipts
{Bank (Levies)$_{(db)}$}	- banked levy receipts
{Bank (Cards)$_{(db)}$}	- value of card pre-charges (and, optionally, levies) in bank
{Card Bonus$_{(db)}$}	- value of amount contributed (if any) by club as card bonuses
{Debtors$_{(db)}$}	- money owed to the club – as yet unpaid
{VAT$_{(cr)}$}	- VAT output
{Sales$_{(cr)}$}	- revenue generated by sales of specific products and services
{Sales (Suspense)$_{(cr)}$}	- revenue generated by sales of as yet unspecified items
{Sales (Deposits)$_{(cr)}$}	- revenue generated by sales of bookings deposits
{Sales (Discounts)$_{(cr)}$}	- revenue generated by application of discounts
{Card Accounts$_{(cr)}$}	- value of funds available to cardholders
{Card Forfeits$_{(cr)}$}	- value of funds forfeited by cardholders
{Competition Fees$_{(cr)}$}	- competition fee revenue

Further details of the application of these account types are given where appropriate in subsequent sections.

2) Assign the system-wide nominal codes

From the Chips navigator bar, select 'Chips>Global Parameters' and activate the 'N/L Codes' tab to gain access to the system-wide nominal account mapping. For each account type, select the appropriate code from the corresponding drop-down list. This code will be the default code for all relevant transactions posted to that account type.

3) Assign the retail division-specific nominal codes

If required, the following system-wide accounts can be overridden for each retail division:-

{Debtors$_{(db)}$}
{VAT$_{(cr)}$}
{Sales$_{(cr)}$}
{Sales (Suspense)$_{(cr)}$}
{Sales (Deposits)$_{(cr)}$}
{Sales (Discounts)$_{(cr)}$}

To do this, select the appropriate 'Sales>Retail Structure>Retail Divisions[Division]' and activate the 'N/L Codes' tab.

4) Assign the sales analysis group-specific nominal codes

Similarly, if required, the following accounts can be overridden for each sales analysis group within each retail division:-

{Sales$_{(cr)}$}
{Sales (Discounts)$_{(cr)}$}

To do this, select the appropriate 'Sales>Products>[Retail Division]>Sales Analysis Groups[Group]' and activate the 'N/L Codes' tab.

5 Running the analysis

Once the above has been set up, even if only on a trial basis, the Nominal Ledger Posting Analysis report can be run.

Assuming the operator has the correct permissions, access to the analysis engine is via the 'Accounts>Reports>Nominal Posting Analysis' menu option on the Chips navigator bar.

On the 'Period' page, select the period inclusive start and end dates (Chips automatically assumes a day start time of 05:00:00 a.m. and a day end time of 04:59:59 a.m. the following morning). There is also an 'Options' page where options can be selected and saved as the default values for future reports. Press <Proceed> to start the report.

The system's transaction streams are then scanned and any events or transactions that affect the nominal ledger are converted into sets of 'micro-journals'.

The term 'micro-journal' is used in this document to describe a single elemental contribution to the net period postings. For example, the sale of a single product in a multi-line order will contribute a $\{Debtors_{(db)}\}::\{Sales_{(cr)}\}$ micro-journal for the value of the product excluding VAT and a $\{Debtors_{(db)}\}::\{VAT_{(cr)}\}$ micro-journal for the VAT element.

The following transaction streams are processed:-

Sales orders ('POS')
Bookings
Card levy transfers
Card pre-charges
Card account forfeits
Competition entry fees
Z-Reads

Once all the transactions have been processed, Chips then displays a summary of all the micro-journals by accumulating them by nominal account. It also displays a check-total of all debit accounts and a check-total of all credit accounts so that the preservation of double-entry integrity can be seen at a glance.

Nominal accounts for which micro-journals exist but add up to zero can be viewed or hidden according to the 'Non-zero account only?' check-box setting. By default, they are hidden.

To assist with verification or audit, a list of all micro-journals for any account can be seen by double-clicking the account line. The various lists displayed can be sorted by any column by clicking on the column header (a second click will invert the sorted sequence). The lists can be printed and/or exported by the standard Print menu option.

Once verified, the summary can be used as the basis for actual period ledger postings in respect of all Chips' activities.

6 Transaction details

This section presents a table showing each of the micro-journals produced by the analysis engine for each transaction source.

6.1 Sales Orders ('POS')

POS transactions generate micro-journals from product sales ('order lines'), receipts and discounts. They can also generate 'partial' micro-journals when liability for payment is transferred to the bookings system (explained below).

6.1.1 Product Sales

Value	Debit	Credit	Notes
Product sales value ex.VAT	{Debtors$_{(db)}$}	{Sales$_{(cr)}$}	1
VAT	{Debtors$_{(db)}$}	{VAT$_{(cr)}$}	

Notes

1. For each order line the full (pre-discount) value of the sale is used. Discounts are applied as part of the end-of-order processing so that multiple payments from customers with different discount groups can be calculated.

6.1.2 Bookings Sales

Payments can be made for bookings either through the POS system or directly through the bookings system.

In the first case, the till operator selects the booking from a list and enters the value to be paid. This appears as a special sales order line in the current order that shows 'For booking xxx' on the receipt. The order can then be processed and paid for in the normal way.

In the second case, the bookings system simply creates and posts a single-line sales order with the special line as above and the relevant payment details.

This special order line transfers debt from the bookings retail division to the retail division of the machine hosting the transaction. Half of the transaction is emitted by the POS system, as follows…

Value	Debit	Credit	Notes
Payment value	{Debtors[POS]$_{(db)}$}		1

Notes

1. This is a partial micro-journal. The other half is produced when the appropriate booking is processed. The net effect is {Debtors[POS]$_{(db)}$}::{Debtors[Bookings]$_{(db)}$} – i.e. debit the POS retail division's debtors, credit the originating Bookings retail division's debtors. These may, of course, be set to the same account – in which case, there is no net movement.

The other half is emitted by the bookings system as described in section 6.2.3.

The normal POS receipts processing, described below, then handles the actual payment.

6.1.3 Receipts

6.1.3.1 Payment by cash, cheques etc…

Value	Debit	Credit	Notes
Payment value	{Receipts$_{(db)}$}	{Debtors$_{(db)}$}	

6.1.3.2 Payment by member card account

Value	Debit	Credit	Notes
Payment value	{Card Accounts$_{(cr)}$}	{Debtors$_{(db)}$}	

6.1.3.3 Payment 'on account' (i.e. transferred to a booking)

When payment 'On Account' is selected, and the relevant booking chosen, the POS system transfers the debt to the bookings system by emitting the following partial micro-journal…

Value	Debit	Credit	Notes
Payment value		{Debtors[POS]$_{(db)}$}	1

Notes

1. This is a partial micro-journal. The other half is produced when the appropriate booking is processed. The net effect is {Debtors[Bookings]$_{(db)}$}::{Debtors[POS]$_{(db)}$} – i.e. debit the bookings retail division's debtors, credit the originating retail division's debtors. These may, of course, be set to the same account – in which case, there is no net movement.

The other half is emitted by the bookings system as described in section 6.2.3.

6.1.4 Discounts

6.1.4.1 Cash discounts

Value	Debit	Credit	Notes
Discount value ex.VAT	{Sales (Discounts)$_{(cr)}$}	{Debtors$_{(db)}$}	1
VAT	{VAT$_{(cr)}$}	{Debtors$_{(db)}$}	

Notes

1. Some clubs may have Discounts set up as a debit account. However, many clubs may not wish to have a separate Discount account and would prefer discounts simply to be debited to the Sales account. By making {Sales (Discounts)} a credit account, a club can assign the Discount account to the Sales account and the micro-journals will remain valid.

6.1.4.2 Card account discounts

Value	Debit	Credit	Notes
Discount value ex.VAT	{Sales (Discounts)$_{(cr)}$}	{Card Accounts$_{(cr)}$}	
VAT	{VAT$_{(cr)}$}	{Card Accounts$_{(cr)}$}	

6.2 Bookings

6.2.1 Special considerations

The bookings system is more complex and flexible than the till POS system. The following issues, in particular, need to be understood and addressed for each club:-

6.2.1.1 Protection of previous period postings

A booking may span two or more ledger periods. It is important, therefore, that a booking that emits micro-journals in a particular period should not be changed in such a way that those transactions retrospectively change when producing postings for later periods.

In time, Chips may be given more automatic protection against retrospective changes.

In the meantime, however, if it is suspected that a retrospective change has been made (inadvertently or otherwise), the best way to check is to re-run the analysis for the suspect period and compare it to the analysis filed when the period was originally posted.

Thus, it is important that, once used as a basis for a period's posting, a **hardcopy** of the analysis should be filed for future reference – to save having to resort to backups or archives.

6.2.1.2 Deposits, invoicing and sales suspense.

The flexibility of Chips allows a club to elect to use the bookings invoicing features for either…

- all bookings
- some bookings (usually corporate or society events)
- no bookings

Given that bookings invoices emit debtor liability transactions for deposits and products at various times in a booking's lifetime, the Nominal Ledger Posting Analysis needs to handle both invoiced and non-invoiced bookings.

a) Invoiced bookings

An invoiced booking will usually cause two or three actual invoices to be issued. These invoices are, typically…

- A '*deposit invoice'* for a fixed proportion of the booking value, issued as the booking is made.
- A '*balance invoice*' for the remainder of the agreed price, usually issued, say, two or three weeks prior to the event itself.
- A '*final invoice*' that covers any bar tab transfers or last minute amendments to the booking, usually issued within a day or so after the event.

In some circumstances, there may be many more invoices (and/or credit notes) issued on behalf of a single booking.

The posting mechanism used by the Nominal Ledger Posting Analysis allows this flexible invoicing facility to be accommodated whilst preserving the integrity of the accounting system. It does this by buffering all VAT-exclusive credit transactions associated with the various invoices into the {Sales $(\text{Deposits})_{(cr)}$} and {Sales $(\text{Suspense})_{(cr)}$} accounts.

Note: One consequence of the above is that any transfers from the POS system have now been 'billed' twice – once via the POS system and once as part of the bookings invoicing. To correct for this, the Nominal Ledger Posting Analysis aggregates all transfers for a single booking into one adjustment that credits {Sales (Debtors[Bookings])$_{(db)}$} and debits {Sales (Suspense)$_{(cr)}$} and {Sales (VAT)$_{(cr)}$} accordingly. These transactions and are labelled as 'TfrAdj' (Transfer Adjustment) on the reports.

Regardless of the invoicing pattern of a booking, at the moment the booking finishes the total deposit value (*even if not yet fully invoiced*) is considered to have matured and is transferred from {Sales (Deposits)$_{(cr)}$} to {Sales (Suspense)$_{(cr)}$}.

At this moment the total sales value associated with the booking is assumed to be now in {Sales (Suspense)$_{(cr)}$} (*even if not yet fully invoiced*) and can, therefore, be immediately transferred out to the relevant sales analysis accounts by a series of {Sales(Suspense)$_{(cr)}$}::{Sales[Sales Group]$_{(cr)}$} micro-journals, one for each product sale.

The net effect of this process is…

- The {Sales(Deposits)$_{(cr)}$} account will always contain just non-matured deposits
- The {Sales(Suspense)$_{(cr)}$} account will always contain outstanding pre-invoiced sales minus any debits caused by late or partial invoicing
- The {VAT$_{(cr)}$} account will always meet with the approval of Customs and Excise
- The {Sales[Sales Group]$_{(cr)}$} accounts will reflect the actual times the sales were made
- There will be a lot of micro-journals per booking

Some clubs may prefer to merge the {Sales (Deposit)$_{(cr)}$} and {Sales (Suspense)$_{(cr)}$} accounts into a single 'pre-payment' account. This can be done by mapping both accounts to the same ledger code.

b) Non-invoiced bookings

The Nominal Ledger Posting Analysis handles non-invoiced bookings by creating temporary 'phantom' invoices and then processing them exactly as above – with the exception that the phantom invoices do not need to show any transfers from the POS system, and, thus, no Transfer Adjustment journals are needed .

If deposits are applicable, it creates a '*deposit invoice'* with a tax-point of the booking creation date and creates a '*balance invoice*' for the remainder with a tax-point of the event date.

6.2.1.3 Cancellations.

If an Invoiced Booking is cancelled, the system expects the proper credit note procedures to be followed which will reverse the {Sales (Deposit)$_{(cr)}$}, {Sales (Suspense)$_{(cr)}$} and {VAT$_{(cr)}$} credits and {Debtors$_{(db)}$} debits. The bookings completion transactions are not created.

This process should not be susceptible to retroactive changes.

When processing a Non-Invoiced Booking that is cancelled, the system produces no transactions at all (except for any payments that have been received).

This process *is* susceptible to retroactive changes. If a booking is live when analysed for a period and is then flagged as cancelled at a later time, a re-run of the original period's analysis will produce a different result.

N.B. It is, therefore, important to ensure that all bookings that affect a period have been properly administered in terms of their completion status, prior to that period's analysis being run.

Late payments, properly entered into the system, do not affect previous periods.

6.2.2 Sales and Deposits

As described in the previous section, the sales and deposits transactions are buffered and can be shown schematically as follows…

6.2.2.1 Deposit Invoice

Value	Debit	Credit	Notes
Deposit value ex.VAT	{Debtors$_{(db)}$}	{Sales (Deposits)$_{(cr)}$}	
VAT	{Debtors$_{(db)}$}	{VAT$_{(cr)}$}	

6.2.2.2 Balance and Final Invoices

Value	Debit	Credit	Notes
Total value less deposit ex.VAT	{Debtors$_{(db)}$}	{Sales (Suspense)$_{(cr)}$}	
VAT	{Debtors$_{(db)}$}	{VAT$_{(cr)}$}	

6.2.2.3 On completion of events

Firstly, if necessary, the Transfer Adjustments are made (see 6.2.1.2)…

Value	Debit	Credit	Notes
Total value of transfers ex.VAT	{Sales (Suspense)$_{(cr)}$}	{Debtors$_{(db)}$}	
VAT	{VAT$_{(cr)}$}	{Debtors$_{(db)}$}	

Secondly, any deposits are matured and the product sales transferred from the suspense account into the appropriate sales accounts…

Value	Debit	Credit	Notes
Deposit value ex.VAT	{Sales (Deposits)$_{(cr)}$}	{Sales (Suspense)$_{(cr)}$}	
Itemised product sales ex.VAT	{Sales (Suspense)$_{(cr)}$}	{Sales [Sales Group]$_{(cr)}$}	

6.2.2.4 Net effect of transactions

The net effect of the transactions in 6.2.2.1 to 6.2.2.3 is…

Value	Debit	Credit	Notes
Itemised product sales ex.VAT	{Debtors$_{(db)}$}	{Sales [Sales Group]$_{(cr)}$}	
VAT	{Debtors$_{(db)}$}	{VAT$_{(cr)}$}	

…with any deposits being buffered in {Sales (Deposits)$_{(cr)}$} until they mature into the appropriate {Sales [Sales Group]$_{(cr)}$}. All transfers have been corrected for.

6.2.3 Payments

This is the other half of the POS transaction described in section 6.1.2.

The POS system emits all micro-journals associated with the bookings payment except for the partial micro-journal credit to the bookings debtors account, which is emitted by the booking itself, as follows…

Value	Debit	Credit	Notes
Payment value		{Debtors[Bookings]$_{(db)}$}	

6.3 Card levy transfers

Including card levies is an option that, by default, is not enabled. This is because it is assumed that, in practice, levy payments are almost always received as part of club subscription receipts and will, therefore, be posted to the accounts as part of a separate procedure.

If enabled, however, card levies are assumed to be banked directly and emit the following micro-journals…

Value	Debit	Credit	Notes
Levy amount	{Bank (Levies)$_{(db)}$}	{Card Accounts$_{(cr)}$}	
Bonus amount (if applicable)	{Card Bonus$_{(db)}$}	{Card Accounts$_{(cr)}$}	

6.4 Card pre-charges

Card pre-charges emit the following micro-journals…

Value	Debit	Credit	Notes
Pre-charge amount	{Receipts$_{(db)}$}	{Card Accounts$_{(cr)}$}	
Bonus amount (if applicable)	{Card Bonus$_{(db)}$}	{Card Accounts$_{(cr)}$}	

6.5 Card account forfeits

When card accounts forfeit unused levies, the Nominal Ledger Posting Analysis treats it as if the club has received gifts to that value. This, from an accounting perspective, has the same effect as if the club has made sales of unspecified goods (exempt from VAT and with a zero cost of sale).

The card account forfeits emit the following micro-journals…

Value	Debit	Credit	Notes
Forfeit amount	{Card Accounts$_{(cr)}$}	{Card Forfeits$_{(cr)}$}	1

If desired, the {Card Forfeits$_{(cr)}$} account could actually be mapped to a product sales account.

6.6 Competition entry fees

Competition entry fees are treated as a VAT exempt sale from the card account as follows…

Value	Debit	Credit	Notes
Forfeit amount	{Card Accounts$_{(cr)}$}	{Competition Fees$_{(cr)}$}	

6.7 Z-Reads

The z-read processing deals with the transfer of receipts (in the till drawers) to the bank. It is assumed that normal procedures involve regular banking of cash, cheques and credit card slips that correspond exactly to the sum total of the z-reads produced by the POS system in the period.

In other words: any receipts not yet 'zedded' by the end of the period are assumed to be still in the till drawers and will carry over into the next period's bankings.

Any reduction in the total retained float over the period is added into bankings.

The z-readings emit banking transactions as follows…

Value	Debit	Credit	Notes
Non EFT receipts	{Bank (Main)$_{(db)}$}	{Receipts$_{(db)}$}	
EFT receipts	{Bank (EFT)$_{(db)}$}	{Receipts$_{(db)}$}	

The facility to separate EFT receipts from other bankings is needed because it is very common for the actual bankings in respect of EFT receipts to be notified to the club on periodic statements from the acquirer (e.g. Streamline). These statements will rarely correspond to the club's z-read periods. Analysing EFT receipts into a separate account should make reconciliation with these statements a much easier task.

The system does not attempt to report on exactly which EFT receipts were paid against card pre-charges and which were in payment for bookings or POS sales. It simply transfers the total pre-charge value from the main {Bank (Main)$_{(db)}$} account to the {Bank (Cards)$_{(db)}$} account, as follows…

Value	Debit	Credit	Notes
Pre-charges	{Bank (Cards)$_{(db)}$}	{Bank (Main)$_{(db)}$}	

If a club receives a high proportion of receipts in EFT form (for both sales and pre-charges) the above process may leave the {Bank (Main)$_{(db)}$} account in credit as all of the receipts have been posted to {Bank (EFT)$_{(db)}$}.

In this case, if a club wishes to 'ring-fence' pre-charge receipts in a separate account, it may be necessary to manually journal funds from {Bank (EFT)$_{(db)}$} to {Bank (Cards)$_{(db)}$}.

It is likely, however, that many clubs will simply map all three accounts to the same nominal code.

7 General Points

The Nominal Ledger Posting Analysis is designed as an *aid* to producing accurate and timely period ledger postings. It is very important, however, that its interpretation and implementation are guided by an Accountant who thoroughly understands both the club's business and the processes described herein.

However, the report can be run and explored as often as desired by any (suitably authorised) person. It makes no changes to any original data and can be run for any period as often as desired.

Similarly, the nominal account mappings and assignations can be changed and changed again and their effects on the analysis observed.

If the report is being evaluated for the first time at a club that has been running Chips for a while, it may be useful to run it for past periods and compare the results with the actual postings made at the time. In this way, any differences in policy and/or convention can be highlighted.

In other words, please feel free to 'play' with the mappings and run analyses at will.

M H Systems is always, of course, very keen to receive constructive suggestions and feedback on any aspect of its systems.